MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016

PAT0075 – COST AND MANAGEMENT ACCOUNTING

(Foundation in Management)

16 OCTOBER 2015
3.00 p.m. – 5.00 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **FIVE** pages with **SEVEN** questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet.

STRUCTURED QUESTIONS [100 MARKS]

Instructions: Answer **ALL** questions. Write your answers in the Answer Booklet.

QUESTION 1

Mareza Berhad manufactures two products, KAT8 and RAT9. The company normally manufactures 2,000 units of KAT8 and 8,000 units of RAT9. The direct material and direct labour costs per unit are as follows:

	KAT8 (RM)	RAT9 (RM)
Direct material	800	400
Direct labour	90	60
Direct manufacturing cost per unit	890	460

One of the management team has suggested to the company to calculate the product manufacturing cost using an Activity Based Costing (ABC) approach. The amount of manufacturing overhead is traceable to the products as follows:

Activity	Cost Driver	Manufacturing Overhead (RM)	Cost Driver Demanded		
			KAT8	RAT9	Total
Purchase order	Number of orders	176,000	2,000	1,200	3,200
Machine set ups	Number of set ups	159,000	200	300	500
Machining	Machine hours	353,250	1,000	800	1,800
Quality control	Number of inspections	219,550	900	1,600	2,500
Maintenance	Service hours	705,000	700	800	1,500

REQUIRED

a) Compute the activity cost driver rate. (7.5 marks)

b) Compute the total indirect manufacturing cost allocated to each product. (7.5 marks)

(Total 15 marks)

Continued...

QUESTION 2

Nadzrin Company produces exercise books. Direct material is added at the beginning of the process in Printing Department. Conversion costs are applied uniformly throughout the process. Information for the Printing Department for the month of April 2014 are as follows:

Transferred in from previous process:	
Units	80,000 units
Previous process costs	RM48,000
Work-in-process, 30 April 2014:	
Units	18,000 units
Direct materials (100% complete)	
Conversion costs (40% complete)	
Direct materials added in April 2014	RM280,000
Conversion costs added in April 2014	RM210,000

REQUIRED

a) Calculate the units completed and transferred out of the Printing Department. (1.5 marks)

b) Calculate the total equivalent units for transferred in, direct materials and conversion costs. (4.5 marks)

c) Calculate the cost per equivalent unit for transferred in, direct materials, conversion costs, and total cost per equivalent unit. (6.5 marks)

d) Calculate the cost of ending work-in-process. (1.5 marks)

e) Explain the concept of work-in-process. (1 mark)

(Total 15 marks)

Continued...

QUESTION 3

Semambu Berhad is a company that produces cars. In January 2012, the company produced 40 units of car and 50 units was anticipated to be sold. The ending inventory in January 2012 was 10 units. The price of the car is RM40,000 per unit. The company had 20 units of ending inventory in December 2011. The following cost information pertain to Semambu Berhad for January 2012:

Direct materials (per unit)	RM13,625
Direct labour (per unit)	RM8,400
Variable overhead (per unit)	RM3,175
Fixed overhead	RM128,000
Variable selling expense:	
Commissions (per unit)	RM500
Fixed selling and administrative expenses:	
Advertising	RM40,000
Delivery	RM60,000
Salaries	RM100,000

The normal production of car is 50 units.

REQUIRED

a) Compute the unit product cost under absorption costing. (2.5 marks)

b) Compute the unit product cost under variable costing. (2 marks)

c) Prepare the income statement by using absorption costing method. (10.5 marks)

(Total 15 marks)

Continued...

QUESTION 4

Saga Corporation has a targeted operating income of RM90,000 for the upcoming year. The selling price of its single product is RM60 each, while the variable cost per unit is RM30. Fixed costs total RM300,000.

REQUIRED

Calculate the following:

a) Contribution margin per unit. (3 marks)

b) Contribution margin ratio. (3 marks)

c) Breakeven point in units. (3 marks)

d) Units to be sold to earn the targeted operating income. (3 marks)

e) Margin of safety in units. (3 marks)

(Total 15 marks)

QUESTION 5

Elite Office Furniture received a special order for 1,000 units of its executive chairs at a selling price of RM100 per chair. Elite Office Furniture has enough capacity to accept the order. No additional fixed manufacturing overhead will be incurred. Unit costs to make and sell this product are as follows: Direct Materials RM50; Direct Labour RM20; Variable Manufacturing Overhead RM5; Fixed Manufacturing Overhead RM10; and Variable Selling Costs RM6.

REQUIRED

a) Calculate the total relevant revenue from the order. (3 marks)

b) Calculate the total relevant costs for the order. (5 marks)

c) What will be Elite Office Furniture's change in operating income if they accept the special order? (4 marks)

d) Should Elite Office Furniture accept the order? Explain why or why not. (3 marks)

(Total 15 marks)

Continued...

QUESTION 6

Mojiko Corporation is considering an investment in new equipment costing RM200,000. The equipment will be depreciated on a straight-line basis over a five-year life and is expected to generate net cash inflows of RM50,000 in the first year, RM60,000 in the second year, and RM90,000 every year thereafter until the fifth year. The equipment has no residual value. Mojiko Corporation's required rate of return on investment is 14%.

REQUIRED

a) Calculate the annual depreciation. (3 marks)

b) Calculate the average annual net cash inflow. (5 marks)

c) What is the accounting rate of return on the investment? (5 marks)

d) What is the payback period for this investment? (2 marks)

(Total 15 marks)

QUESTION 7

Haruka Insulation Company plans to sell the following quantities of insulation:

Month	Package
September 2015	500
October 2015	600
November 2015	700
December 2015	800
January 2016	1000

Haruka pays RM11 per package, and sells each package for RM20. Haruka plans to maintain an ending inventory equal to 25% of next month's sales.

REQUIRED

Prepare a monthly sales budget with a total column for the fourth quarter of 2015.

(Total 10 marks)

End of Paper